Joint Stock banks have formed the foundation of a great growth in their deposits, which have also been swelled by the creation of credits in connection with the subscriptions to the various War Loans. . . . The greatly increased volume of bank deposits, representing a corresponding increase of purchasing power and, therefore, tending in conjunction with other causes to a great rise of prices, has brought about a corresponding demand for legal tender currency which could not have been satisfied under the stringent provisions of the Act of 1844." Here we have the story of bad war finance put as clearly as it can be. Because the Government was not able to raise all the money needed for the war on sound lines—that is, by taxation and loans to it of money saved by investors—it had recourse to credits raised for it by the Bank of England and the other banks against Treasury Bills, Ways and Means Advances, War Loans, War Bonds, and loans to customers who were taking up War Loans, etc. Thereby as these credits created fresh deposits there was a huge increase in the community's purchasing power ; and since the supply of goods to be purchased was stationary or reduced, the only result was a great increase in prices which made the war, perhaps, nearly twice as costly as it need have been and produced all the suspicion and unrest that has already been referred to. Considering that the

Committee included an ex-Governor of the Bank and the Permanent Secretary to the Treasury it could hardly have been expected to use much plainer language concerning the failure of our rulers to get money out of us